



POTTER
DISTILLERIES LTD.

ANNUAL REPORT



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POTTER DISTILLERIES LTD.

OFFICERS:

Capt. Harry J.C. Terry, President
Colin T.J. Terry, Vice-President
Patrick N. Goode, C.A., Vice-President
Percy A. White, Q.C.
Naomi F. Neal, Executive Secretary

DIRECTORS:

Capt. Harry J.C. Terry
Colin T.J. Terry
Patrick N. Goode, C.A.
Harold A. Hartford
Percy A. White, Q.C.

SOLICITORS:

Clark Wilson & Co.
475 Howe Street
Vancouver 1, B.C.

AUDITORS:

Gunderson, Stokes, Walton & Co.
475 Howe Street,
Vancouver 1, B.C.

TRANSFER AGENT
& REGISTRAR:

Montreal Trust Company
466 Howe Street
Vancouver 1, B.C.

BANK:

Royal Bank of Canada
Vancouver, B.C.

DISTILLERY
& HEAD OFFICE:

20500 Logan Avenue
Langley, B.C.
Canada

SAN FRANCISCO:

Potter Distilleries Inc.
699 2nd Street
San Francisco, California



Pat. N. Goode

Vice President

*Potter Distilleries Ltd.
Langley, B.C.*

*(Toll Free) Bus. 596-7487
Res. Squamish 892-5400*

PRESIDENT'S REPORT TO SHAREHOLDERS

I am very pleased to announce that the Company has had its best year and the first year in which we have shown a cash profit. In addition, our operating efficiency has been very satisfactory.

We have just completed a very sound arrangement with the L.J. McGuinness and Co. Limited of Toronto to do the bottling, warehousing and shipping of their products for Western Canada, somewhat similar to the arrangement which we have with Melchers Distilleries, Limited of Montreal. We are also working toward a similar arrangement with another large Eastern distillery.

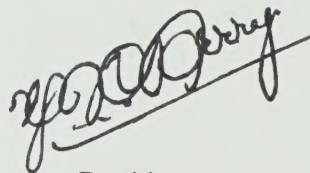
Our sales of case goods products have shown far greater increases than anticipated. We have over twenty products now listed with the Liquor Control Board of British Columbia, some in Alberta, and some in Manitoba. We have applied for listings in Saskatchewan and Ontario which should be finalized within the next few weeks. Our reason for the late application for the Province of Ontario is because of our acute shortage of aged spirits. By the time of our Annual Meeting we should have listings in the States of Oregon and Washington, and later this year in other States of the United States. We are gradually making inroads to other foreign markets in a small way as a foothold, especially with our new Ultra Dry Canadian Gin to California. This slow method of getting into foreign markets will be the Company's policy for another year, until we have sufficient aged spirits.

The Company sales expansion plans will be increased as our spirits come of age. Last year we started on a bulk whisky sales programme and were working with a large United States distillery, but after making a further study of this market and our own sales programme, we shelved this for the time being. Because of a shortage of Canadian whisky in the United States, and the price rise of two year old Canadian whisky we decided to go slow and take advantage of selling aged spirits rather than current or new fillings. The cost of producing current or new fillings in our distillery is less than \$1.00 per U.S. proof gallon, and the cost of barrelling, aging, insuring, warehousing and financing is less than \$1.50 per U.S. proof gallon to hold and mature this spirit for two years. Two year old Canadian whisky is presently selling in the United States for \$3.25 U.S. proof gallon, U.S. funds. In the opinion of brokers in the United States there is little likelihood of this price deteriorating, due to the increase in sales of Canadian whisky.

In 1968 we have completed our new administrative office building at the plant site at Langley, making for more efficiency and greater control of the distillery. Also completed in this year is a new 6,000 square foot empty case warehouse and a 16,000 square foot concrete and block warehouse for the storage and maturing of 11,000 barrels of whisky (or one year's production). We have also extended our fermentation by 40,000 gallons to give us a nice steady increase in production of spirits.

Although this statement is for a period of twelve months, the distillery did not go into operation until November, 1967, making a production period of ten months.

Our Company is progressing very satisfactorily — far better than we had originally anticipated.

A handwritten signature in dark ink, appearing to read "J. J. McGuinness", written over a horizontal line.

President.

January 13, 1969

GUNDERSON STOKES WALTON & CO.

CHARTERED ACCOUNTANTS

VANCOUVER - VICTORIA - PENTICTON

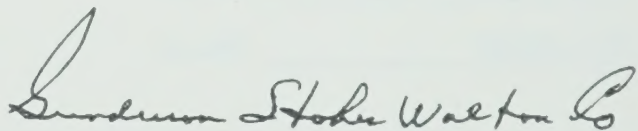
BRITISH COLUMBIA

AUDITORS' REPORT

To the Shareholders of
Potter Distilleries Ltd.

We have examined the consolidated balance sheet of Potter Distilleries Ltd. and its subsidiary company as at August 31, 1968 and the consolidated statements of profit and loss and earned surplus and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1968 and results of their operations and the changes in their working capital for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.



Vancouver, B. C.
January 13, 1969

Chartered Accountants

IN ASSOCIATION WITH RAYMOND CAMPBELL BELANGER WALTON CHABOT & WILLETTS
Montreal Sherbrooke Rouyn Toronto London Sarnia Edmonton Vancouver Victoria Penticton

Consolidated Balance Sheet
(With Comparative)

	<u>1968</u>	<u>1967</u>
ASSETS		
Current Assets		
Cash	\$ 1,938	\$ 118,585
Accounts receivable	285,347	49,106
Inventories, at lower of cost or net realizable value	452,769	175,211
Prepaid expenses and sundry assets	25,789	12,059
	<u>\$ 765,843</u>	<u>\$ 354,961</u>
Fixed Assets, at cost		
Buildings	\$ 534,594	\$ 401,859
Machinery and equipment	624,364	535,006
	<u>\$1,158,958</u>	<u>\$ 936,865</u>
Less accumulated depreciation	31,519	—
	<u>\$1,127,439</u>	<u>\$ 936,865</u>
Land	22,923	15,423
	<u>\$1,150,362</u>	<u>\$ 952,288</u>
Preproduction Costs, less accumulated amortization	\$ 175,857	\$ 167,472
Market Research and Development Costs, less accumulated amortization	\$ 268,000	\$ 253,389
	<u>\$2,360,062</u>	<u>\$1,728,110</u>
Approved on Behalf of the Board		
<u>"H.J.C. TERRY"</u> Director		
<u>"P.N. GOODE"</u> Director		

The accompanying notes to the consolidated

This is the consolidated balance sheet referred to in the accompanying report of

ERIES LTD.

COMPANY

as at August 31, 1968

(figures for 1967)

	<u>1968</u>	<u>1967</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness, secured, repayable on demand	\$ 150,917	\$ —
Accounts payable and accrued liabilities	<u>257,346</u>	<u>221,547</u>
	\$ 408,263	\$ 221,547
Interim Financing		
Royal Bank of Canada, demand loan, secured	\$ —	\$ 200,000
Potter Holdings Ltd., demand loan	<u>—</u>	<u>894,500</u>
	\$ —	\$1,094,500
Term Financing		
First mortgage, 6%, payable November 1, 1979	<u>\$ 307,000</u>	<u>\$ 307,000</u>
Shareholders' Equity		
Share capital:		
Authorized		
800,000 common shares of no par value (Note 1)		
Issued and fully paid (Note 2)	\$1,602,808	\$ 100,000
Earned surplus	<u>41,991</u>	<u>5,063</u>
	\$1,644,799	\$ 105,063
Contingent Liability (Note 3)		
	<u>\$2,360,062</u>	<u>\$1,728,110</u>

cial statements are an integral part thereof.

erson Stokes Walton & Co., Chartered Accountants, dated January 13, 1969.

**POTTER DISTILLERIES LTD.
AND SUBSIDIARY COMPANY**

Consolidated Statement of Profit and Loss and Earned Surplus

For the Year Ended August 31, 1968

(With Comparative Figures for 1967) (Note 4)

	<u>1968</u>	<u>1967</u>
Gross Operating Revenue	\$796,629	\$227,514
Cost of Products Sold and Selling and Administrative Expenses	<u>644,897</u>	<u>197,168</u>
Operating Profit Before the Undernoted Deductions	<u>\$151,732</u>	<u>\$ 30,346</u>
Deductions (Note 5)		
Depreciation	\$ 31,519	\$ —
Amortization of preproduction costs	7,340	—
Amortization of market research and development costs	8,817	—
Interest on first mortgage	15,350	—
Management charges for directors and senior officers	<u>37,800</u>	<u>—</u>
	<u>\$100,826</u>	<u>\$ —</u>
Net Profit for the Year	\$ 50,906	\$ 30,346
Earned Surplus at Beginning of Year	<u>5,063</u>	<u>72,715</u>
	\$ 55,959	\$103,061
Stock Dividend	—	(97,998)
Share Issue Costs	<u>(13,978)</u>	<u>—</u>
Earned Surplus at End of Year	<u><u>\$ 41,991</u></u>	<u><u>\$ 5,063</u></u>

The accompanying notes to the consolidated financial statements are an integral part thereof.

This is the consolidated statement of profit and loss and earned surplus referred to in the accompanying report of Gunderson Stokes Walton & Co., Chartered Accountants, dated January 13, 1969.

**POTTER DISTILLERIES LTD.
AND SUBSIDIARY COMPANY**

Consolidated Statement of Changes in Working Capital

For the Year Ended August 31, 1968

(With Comparative Figures for 1967) (Note 4)

	<u>1968</u>	<u>1967</u>
Working Capital at Beginning of Year	\$ 133,414	\$149,923
Add:		
Net profit for the year	\$ 50,906	\$ 30,346
Add charges to operations not requiring an outlay of working capital:		
Depreciation	31,519	—
Amortization	16,157	—
	\$ 98,582	\$ 30,346
Proceeds from issue of shares	1,202,808	—
Proceeds from interim financing	—	658,482
	\$1,301,390	\$688,828
	\$1,434,804	\$838,751
Deduct:		
Additions to fixed assets	\$ 229,593	\$567,328
Increase in preproduction costs	15,725	52,765
Increase in market research and development costs	23,428	85,244
Share issue costs	13,978	—
Repayment of interim financing	1,094,500	—
Less portion repaid by issue of shares	(300,000)	—
	\$1,077,224	\$705,337
Working Capital at End of Year	\$ 357,580	\$133,414
Working Capital Represented by		
Current assets	\$ 765,843	\$354,961
Current liabilities	408,263	221,547
	\$ 357,580	\$133,414

The accompanying notes to the consolidated financial statements are an integral part thereof.

This is the consolidated statement of changes in working capital referred to in the accompanying report of Gunder-son Stokes Walton & Co., Chartered Accountants, dated January 13, 1969.

**POTTER DISTILLERIES LTD.
AND SUBSIDIARY COMPANY**

**Notes to the Consolidated Financial Statements
August 31, 1968**

Note 1 – Share Capital Authorized

By special resolutions of shareholders passed on September 18, 1967 and confirmed by the Registrar of Companies on September 27, 1967, the authorized share capital of the company was changed and increased from 100,000 Class "A" preference shares, 100,000 Class "B" preference shares and 100,000 common shares all of a par value of \$1.00 each to 800,000 common shares of no par value.

Note 2 – Share Capital Issued and Fully Paid

	1968		1967 (Note 4)	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Balance at beginning of year	100,000	\$ 100,000	2,002	\$ 2,002
Issued as a stock dividend	—	—	97,998	97,998
Issued to Potter Holdings Ltd. (proceeds applied against indebtedness)	225,000	300,000	—	—
Issued for cash	325,000	1,202,808	—	—
Balance at end of year	<u>650,000</u>	<u>\$1,602,808</u>	<u>100,000</u>	<u>\$100,000</u>

Note 3 – Contingent Liability

In May, 1968 a former director and officer of the company commenced an action in the Supreme Court of British Columbia claiming damages against Potter Distilleries Ltd. and another company arising out of his former employment. Potter Distilleries Ltd. disputes the claim in its entirety and has instructed its solicitors to defend the action.

Note 4 – Change of Fiscal Year End

The company changed its fiscal year end from October 31 to August 31 effective August 31, 1967. Accordingly the 1967 figures cover a period of only ten months from November 1, 1966 to August 31, 1967.

Note 5 – Deductions

The construction of the company's new distillery at Langley, B.C. was substantially completed by October 31, 1967 and accordingly depreciation and amortization have been recorded in the accounts from that date.

Interest on the first mortgage and management charges for directors and senior officers have been allocated as follows:

	To Preproduction Costs and Market Research and De- velopment Costs	To Operations	Total
Interest on first mortgage	\$ 3,070	\$ 15,350	\$ 18,420
Management charges for directors and senior officers	3,100	37,800	40,900

Note 6 – Income Taxes

No provision for corporation income taxes has been made in the accounts because of the tax loss-carry-forward provisions of the Income Tax Act.

POTTER DISTILLERIES LTD.

NOTICE OF ANNUAL GENERAL MEETING

TAKE NOTICE that the Annual General Meeting of the shareholders of Potter Distilleries Ltd. will be held in the Pacific National Exhibition Board Room, at Exhibition Grounds, East Hastings Street, Vancouver, B.C. on Friday, the 24th day of January, A.D. 1969 at 2:30 o'clock in the afternoon for the purposes of:

1. Receiving and considering the financial statements of the Company for the fiscal year ended August 31, 1968 and the reports of the directors and the auditors.
2. Electing directors.
3. Appointing auditors and authorizing the directors to fix their remuneration.
4. Approving and ratifying all acts and proceedings of the board of directors referred to or reflected in the financial statements presented to the meeting.
5. Conferring a general authority on the directors (expiring at the next Annual General Meeting of the Company, unless then continued by ordinary resolution) to acquire by purchase or otherwise any shares in any other corporation.
6. Transacting such other business as may properly be brought before the meeting.

Shareholders who are unable to attend the meeting in person are requested to complete the attached form of proxy and return it to Montreal Trust Company, 466 Howe Street, Vancouver, B.C. To be used at the meeting, proxies must be deposited with the said Trust Company not less than 24 hours before the said time for holding the meeting.

DATED at Vancouver, B.C. this 9th day of January, A.D. 1969.

By Order of the Board of Directors

PERCY A. WHITE.

Secretary.

POTTER DISTILLERIES LTD.

INFORMATION CIRCULAR

AS AT DECEMBER 28, 1968

This Information Circular accompanies the Notice of the Annual General Meeting of shareholders of Potter Distilleries Ltd., to be held on the 24th day of January, 1969, and is furnished in connection with the solicitation of proxies by the management, for use at that meeting.

The solicitation will be made by mail, and perhaps supplemented by telephone or other personal contact, without any special compensation, by regular officers and employees of the Company. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. The shareholder desiring to appoint a person to attend and act for him and on his behalf at the meeting, other than the persons designated in the form of proxy, may do so either by striking out the printed names of the persons so designated, and inserting such other person's name in the blank space provided in the form of proxy, or by completing another proper form of proxy and depositing the same with the Montreal Trust Company, 466 Howe Street, Vancouver, B.C. prior to the time for the holding of the meeting.

A shareholder who has given a proxy may revoke the same at any time insofar as it has not been exercised either in whole or in part, by either:

(a) completing properly another form of proxy bearing a later date, and depositing the same as aforesaid; or

(b) by written notice of such revocation, executed by the shareholder in the same manner as provided for the execution of the instrument of proxy and depositing such notice with the Montreal Trust Company at any time prior to the time of the meeting or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting, on the day of the meeting or any adjournment thereof, and upon such deposit the proxy will be revoked.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them, subject to the terms of Section 166G of the Companies Act, which provides that if the aggregate number of shares represented at a meeting by proxies required to be voted for or against a particular matter or group of matters carries, to the knowledge of the Chairman of the meeting, less than five per centum (5%) of the voting rights attached to the shares entitled to vote and be represented at the meeting, the Chairman of the meeting has the right not to conduct a vote by way of ballot on any such matter or group of matters, unless a poll is demanded at the meeting.

In the absence of any such direction, it is intended that such shares will be voted for the approval of the Directors' Report, the Balance Sheet and Financial Statements and the Auditors' Report thereon; for the Appointment of Auditors and the Election of Directors as set out under those headings in this Circular; and for the ratification, confirmation and approval of all contracts, acts and proceedings of the Directors and of the Officers of the Company, done and taken since the last Annual General Meeting of the Company, as set out in the notice of the meeting.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the meeting. At the time of printing this Circular, the Management of the Company knows of no such amendments, variations or other matters which are to be presented for action at the meeting, other than the matters referred to in the Notice of Meeting.

VOTING SHARES

On November 28, 1968, the Company's authorized capital consisted of 800,000 common shares, without nominal or par value, 650,000 of which shares have been issued and are outstanding, and they are the only equity shares of the Company entitled to vote at the meeting. Each of such shares is entitled to one vote.

Shareholders who are registered as such prior to the time of the meeting will be entitled to attend and vote thereat. The persons duly appointed under the instrument of proxy will be entitled to vote the shares represented thereby if the instrument of proxy is duly completed and deposited with the Secretary at the address aforesaid, prior to the time of the meeting or any adjournment thereof.

ELECTION OF DIRECTORS

The Board of Directors presently consist of five (5) Directors, all of whom will be deemed to have retired at the Annual General Meeting, but each of whom will be eligible for re-election as a Director. The persons named in the enclosed form of proxy, in the absence of directions to the contrary, intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a Director, but if that should occur for any reason, prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each Director elected will hold office until the next Annual General Meeting or any adjournment thereof, unless his office is earlier vacated in accordance with the Articles of Association of the Company.

The following table and the notes thereto set out: the name of each person proposed to be nominated for election as a Director; all other positions and offices with the Company now held by each of them; their principal occupations or employments; the date upon which they became Directors of the Company; and the approximate number of shares of the Company beneficially owned, directly or indirectly, by each of them as of November 28, 1968.

<u>Name, and other Positions and Offices with the Company Presently Held</u>	<u>Principal Occupation or Employment</u>	<u>Date of Appointment as Director</u>	<u>Shares Owned or Controlled</u>
Captain Harold John Cameron Terry	Executive; President Potter Distilleries Ltd.	May 17, 1962	352,510
Patric Niven Goode	Chartered Accountant; Vice-President Potter Distilleries Ltd.	October 13, 1967	1,050

Colin Thomas John Terry	Executive; Vice-President Potter Distilleries Ltd.	December 22, 1963	51
Harold Harrison Hartford	Executive	October 13, 1967	10,300
Percy Austin White	Solicitor; Secretary Potter Distilleries Ltd.	November 28, 1968	1

- NOTES: (a) The information as to shares beneficially owned, not necessarily being within the knowledge of the Company, has been furnished by the respective Directors individually.
- (b) Unless otherwise indicated above, each of the above-named persons has held the first-named principal occupation or employment for at least five (5) years preceding August 31, 1968.

REMUNERATION OF MANAGEMENT AND OTHERS

(A) The Directors of the Company received no remuneration as Directors, directly or indirectly, during the twelve-month period ended August 31, 1968.

(B) The Senior Officers of the Company received the aggregate remuneration of \$40,900.00 for the twelve month period ended August 31, 1968.

(C) The estimated aggregate cost to the Company in the last completed financial year of all pension benefits proposed to be paid under the pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company to the persons named in paragraph (B) was \$ Nil.

APPOINTMENT OF AUDITORS

In the absence of instructions to the contrary, the persons named in the enclosed form of proxy intend to vote for the re-appointment of Gunderson, Stokes, Walton & Company, Chartered Accountants, Vancouver, B.C., as Auditors of the Company, to hold office until the next Annual General Meeting of shareholders. Gunderson, Stokes, Walton & Company have been Auditors of the Company since 1958.



Potter Distilleries Ltd., Langley, B. C., Canada



POTTER'S NEW MODERN DISTILLERY AT LANGLEY, B.C., CANADA

Built in the heart of British Columbia's famous Fraser Valley with an abundance of crystal clear artesian water for quality distillation in the manufacture of Canadian Spirits of Superior Blends.

THE FINEST DISTILLED PRODUCTS IN THE WORLD ARE PRODUCED IN CANADA

Additional information concerning the company's operations supplied by the Directors, to supplement the information set out in the Prospectus issued by the Company dated 16th October, 1967, offering a new issue of 325,000 common shares of no par value, to the public.

POTTER DISTILLERIES LTD.

LANGLEY, B.C.

OFFICERS

President

Captain Harry J. C. Terry

Vice-Presidents

Colin T. J. Terry

John B. Stokes, C.A.

Secretary

Percy A. White, Q.C.

Assistant Secretary

Patrick N. Goode, C.A.

DIRECTORS

Captain Harry J. C. Terry

Colin T. J. Terry

Harold H. Hartford

Patrick N. Goode, C.A.

John B. Stokes, C.A.

SOLICITORS

Clark, Wilson & Co. ,

475 Howe Street,

Vancouver 1, B.C.

AUDITORS

Gunderson Stokes Walton & Co.,

475 Howe Street,

Vancouver 1, B.C.

BANKERS

Royal Bank of Canada,

Vancouver, B.C.

TRANSFER AGENT AND REGISTRAR

The Montreal Trust Company,

466 Howe Street,

Vancouver 1, B.C.

DISTILLERY AND HEAD OFFICE

20500 Logan Avenue,

Langley, B.C., Canada

VANCOUVER OFFICE

1014 Howe Street,

Vancouver 1, B.C.

SAN FRANCISCO OFFICE

Potter Distilleries, Inc.

699 - 2nd Street,

San Francisco, California

The Canadian Whisky Story

The first Canadian distillery of which there is any written record was constructed in Quebec City in 1769.

In the first early stages of this great industry, products were a very poor grade, stills were crude – made mostly from hand hammered copper and techniques were far removed from today's scientific process. In spite of this many small distilleries sprang up in different parts of Eastern Canada.

Just before the end of the century, in 1800, there were over 200 little distillation plants in Ontario alone – today there remains only 14 in all of Canada.



POTTER'S CROWN CANADIAN

Blended of whiskies aged for a minimum of five years in oak barrels, then blended and returned to the barrels where the maturing and marriage of these fine old Canadian whiskies is completed before bottling.



POTTER'S ROYAL COACH

A blend of superior aged Canadian whiskies, the minimum of which is six years old, aged in charred oak barrels, making Royal Coach the Royalty of Canadian whiskies.

The pioneers were faced with a major problem of transportation, and grain crops such as they were, were not readily moved to the market. As a result many small mills were built with the small distilleries.

Whiskey however, was easily made, easily packaged, took much less space (2 gallons of alcohol only took the space of 1 bushel of grain), was more concentrated and easily carried. It improved with age, became more valuable, could be stored indefinitely and traded at will.

Great changes in the industry have taken place over the years. From a complete freedom of quality control we have advanced to almost complete Government supervision. Today, by law, Canadian whisky (commonly known as Rye) must be produced from grain cereals only. The combination of grains, their treatment, plus rigid control of quality and standards, production, taxation and consumption make the distillery business in Canada unique.

Scientific advances, research and modern techniques have done much for the industry. Artesian water supplies are vital to the life of any distillery.



**POTTER'S SPECIAL BLEND
CANADIAN WHISKY**

A superior blend of the finest matured whiskies from Canada.

Little known facts are that it takes approximately 125 gallons of water to produce one gallon of whisky and that stillage from a small modern plant will fatten over 1500 head of cattle.

The Canadian whisky industry is of major national importance and a very substantial part of our economy. We have made terrific inroads into world markets, especially to the United States of America.



**POTTER'S SPECIAL OLD
CANADIAN WHISKY**

Aged a minimum of four years.

available in half bottles

The American Market

In this respect some statistics are of great interest:

The United States imports of Canadian Whisky were

in 1951	1,198,239 gallons
in 1960	12,461,799 gallons
in 1966	20,210,766 gallons

and it is estimated that 1971 imports will reach 30,000,000 gallons.

Total distilled spirits consumed in the United States grew

from 1956	223,600,000 gallons
to 1966	319,800,000 gallons

with an annual growth rate forecast of over 16%.



POTTER'S CANADIAN WHISKY

A superior blend of Canadian whisky exported to the United States.



POTTER'S ULTRA DRY GIN

A triple distilled gin exported to and registered in the United States by Potter Distillers Inc. – this gin is the same as sold in Canada under the Canadian Label "Potter's Canadian Dry Gin."

The United States imports of gin from Europe were:

in 1951	129,101 gallons
in 1960	1,149,079 gallons
in 1966	2,806,964 gallons

During this period there were no imports of gin into the United States from Canada. Our company has just completed arrangements to ship Canadian Gin to California as a "starting" state.

The United States imports of liqueurs from Europe were:

in 1951	415,361 gallons
in 1960	812,219 gallons
in 1966	1,662,368 gallons

During this period no liqueurs were imported into the United States from Canada.

Our company has just shipped its first pilot order.

The alcoholic beverage showing the most rapid growth in the United States in 1966 was Canadian Whisky.



POTTER'S CANADIAN DRY GIN

We are very proud of this
superior dry gin. Triple
Distilled in Canada.

"IT'S CANADIAN"



POTTER'S LONDON DRY GIN

A very fine gin from Canada
noted for its dryness.
available in half bottles



POTTER'S VODKA

A fine double distilled
Vodka filtered through
charcoal resulting in this
excellent Canadian Vodka.



**CROWN COLONY
LIGHT RUM**

A delicately blended light rum
blended from fine imported
and domestic rum spirits.
Aged in Oak Casks from
three to six years.
available in half bottles



**CROWN COLONY
NAVY RUM**

Blended from rum
spirits from the Caribbean
Islands.
available in half bottles



**CROWN COLONY
WHITE RUM**

A near white rum preserving
the character of the fine
imported rum spirits of the
Caribbean Islands.
in 25 and 12 oz. bottles



THE AUTOMATIC BOTTLING LINE

THE QUALITY CONTROL PANEL



The Story of Liqueurs

The process of distilling and blending liqueurs as they are now called was already known in China, the East Indies and Eastern Europe centuries before Christopher Columbus set sail from Spain in 1492 to discover the new world. The technique of distilling was discovered before the Christian era by the Chinese who made a spiritous liquor from rice wine. Arrack was made in the East Indies by distilling fermented palm juice, rice and a type of molasses.

These old methods were carried overland to Turkey and Persia, there, rather than rice wines, they used the coffee bean from Mocca. Great quantities of this distilled product were used in trade with bordering native tribes and also extensively by the Sultans following their great feasts in the harems. The ancient recipe for Mocca is still used today, but of course modern distilling methods and rigid quality controls are now used.

The original old methods were carried from Persia and Turkey north through Greece by wandering monks, who after generations, settled in what is now known as Germany "the home of Liqueurs in Europe."

Here over the centuries improvements and experiments were made by the monks and natural herbs were now added quite extensively, in search of medications to help the sick and for the elixir of life.

In about the 12th century, a group of monks made a liqueur known as Abtei by using the natural medicinal herbs of the country, crushing them and infusing the juice into a spirit made from a type of plum.

It is believed that this particular monastic order was founded between 400 and 500 A.D. by St. Benedict, at Monte Cassino Abbey.

From this early start came many other types and flavors of liqueurs. Around 1500 the Princes of the Church made a "medicine" or liqueur to which they added flakes of gold, not only to match their golden plates and goblets, but also, as they believed, to cure their stomach ailments following great feasts and to cure rheumatism. This liqueur was called Goldwasser and with Mocca and Abtei are probably the oldest known liqueurs.



POTTER'S CHERRY WHISKY

Made from cherries
from the world renowned
Okanagan Valley.

Liqueurs although originating in the far east, Persia and Turkey, moved north through the old world to Germany and many years later to France and the British Isles and finally to the North American continent, where today they are used more extensively than in any other part of the world.

Today liqueurs fall into two categories - fruit and plant or herb.

Fruit liqueurs are prepared by fruit distillation and the infusion of natural fruit flavors and fruit coloring, such as Cherry, Apricot, Blackberry, etcetera.

Plant or herb liqueurs are produced by maceration and distillation and are colorless, such as Goldwasser, Curacao (orange) Abtei, Absenthe, Annisette, etcetera.

Modern Canadian methods of distilling blending and quality control produces liqueurs which equal, and in most cases surpass the quality of the originals from the old world.

The word "Imported" now merely denotes an increased cost to the consumer.



Liqueurs distilled by Potter Distilleries from fruit and imported herbs are as follows:

Apricot*
Abtei
Curacao

Creme De Cacao*
Creme De Coffee (Mocca)*
Creme De Menthe*

Cherry Whisky*
Annisette
Goldwasser

**Also available in half bottles.*



AR36



Potter Distilleries Ltd.

HEAD OFFICE & DISTILLERY

LANGLEY, BRITISH COLUMBIA, CANADA, TELEPHONE 596-7487

April 29, 1968.

Dear Shareholder:

This letter is to keep you informed of the progress being made by Potter Distilleries Ltd.

Our financial year end was changed to August 31, 1967, and the first six months period ended February 28, 1968. We are attaching a short form summary of the Company's operations for this period.

The new plant at Langley was completed during this time and initial runs were made distilling new whisky spirits. The distillery has now settled down and is operating perfectly, with normal production of over 50,000 U.S. proof gallons per month. At the end of February we had put away 137,000 U.S. proof gallons for maturing in oak barrels in our warehouses. All of this production will be kept for our own use as there is a great shortage of Canadian whisky spirits, both in Canada and the United States. Our complete production has been sold and we are just completing contracts for the sale of 1,400,000 U.S. proof gallons per year for an eight year period. In addition, another contract is presently being negotiated for a large quantity of spirits for a twelve year period. This of course necessitates the expansion programme this year that we had contemplated for 1972. In the original design of the distillery, allowances were made for expansion to keep costs to a minimum so that no further share offering would be necessary. This expansion, and a new 20,000 barrel maturing warehouse should be completed by the fall of this year.

Our production departments are operating very efficiently and our Sales Department has pursued a very active distribution programme of all our products, both on the domestic and export markets.

The President and Directors wish to extend their good wishes to you and to advise you that the progress of the Company is far ahead of our most optimistic projections.

Yours very truly,

POTTER DISTILLERIES LTD.,

P. N. Goode,
Vice President.

POTTER DISTILLERIES LTD.
LANGLEY, B. C.

AND ITS WHOLLY OWNED SUBSIDIARY COMPANY - POTTER DISTILLERIES INC.

CONSOLIDATED STATEMENT OF PROFIT & LOSS
FOR THE SIX MONTHS ENDED FEBRUARY 29, 1968

	<u>1968</u>	<u>1967</u>
Sales and other Operating Revenues	\$ 294,249	\$ 133,222
Cost of Sales	<u>189,708</u>	<u>90,521</u>
	104,541	42,701
Selling, Administration and Financial expenses	<u>89,038</u>	<u>28,092</u>
Operating Profit	\$ 15,503	\$ 14,609
Provision for income taxes	<u>-</u>	<u>-</u>
<u>Net Profit for the Period</u>	<u>\$ 15,503</u>	<u>\$ 14,609</u>

CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF CASH FUNDS
FOR THE SIX MONTHS ENDED FEBRUARY 29, 1968

	<u>1968</u>	<u>1967</u>
<u>Source of funds</u>		
Issue of Capital Stock - 550,000 Common Shares	\$ 1,502,808	\$ -
Advances on First Mortgage	-	35,895
Advances on Interim Financing for plant construction	-	92,675
Operating profits	15,503	14,609
Charges to operations not involving cash outlays	<u>11,517</u>	<u>-</u>
	<u>\$ 1,529,828</u>	<u>\$ 143,179</u>
<u>Application of Funds</u>		
Repayment of interim financing	1,094,500	-
Plant construction costs	163,696	78,342
Costs of Share issue	13,978	-
Production costs	16,660	23,015
Market Research & Development costs	17,472	37,301
Increase in Working Capital	<u>223,522</u>	<u>4,521</u>
	<u>\$ 1,529,828</u>	<u>\$ 143,179</u>

